



# U.S. SENATE BANKING COMMITTEE

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**FOR IMMEDIATE RELEASE**  
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## **DODD INTRODUCES LEGISLATION TO PROTECT AMERICAN HOMEOWNERSHIP**

*Banking Chairman's bill will reform subprime lending practices, strengthen borrower  
protections, restore confidence in markets*

WASHINGTON, D.C. – As a part of his comprehensive strategy to protect, preserve and promote the American dream of homeownership, Senator Chris Dodd (D-CT) today introduced legislation to help put an end to the abusive and predatory lending practices that have sent thousands of Americans into foreclosure and put thousands more in danger of losing their homes. The Homeownership Preservation and Protection Act of 2007 is cosponsored by Senators Reed (D-RI), Schumer (D-NY), Menendez (D-NJ), Akaka (D-HI), Brown (D-OH), Casey (D-PA), Kennedy (D-MA), Kerry (D-MA), Harkin (D-IA), Mikulski (D-MD), Boxer (D-CA), McCaskill (D-MO), and Klobuchar (D-MN). Dodd's bill enjoys support from organizations such as the National Association for the Advancement of Colored People (NAACP), the American Association of Retired Persons (AARP), and the Center for Responsible Lending, among others.

"Foreclosures are at record levels in our country, hurting homeowners and weakening our economy," said Dodd. "By putting an end to abusive practices such as prepayment penalties and 'steering' homebuyers to more costly loans, and by providing for strong enforcement to ensure that these new protections are followed, my bill will help protect present and future homeowners from the plague of predatory lending. This is not a time for timidity or baby steps. We must implement effective reforms to mortgage lending practices in order to keep American families in their homes and restore confidence in our markets."

The Homeownership Preservation and Protection Act will:

- **Establish new protections for all borrowers.** It will prohibit brokers from steering prime borrowers to more expensive subprime loans, create a fiduciary duty for mortgage brokers towards borrowers, and provide for a duty of good faith and fair dealing toward borrowers for all lenders.
- **Establish new protections for subprime borrowers and borrowers who get nontraditional mortgages.** It will require a real analysis of the borrowers' ability to repay the loan. The bill prohibits prepayment penalties and Yield Spread Premiums (YSPs) on these loans, and requires that these loans provide a net tangible benefit to the borrower.
- **Provide strong remedies to make sure these standards are met.** It will allow state attorneys general enforce the provisions of the law, and does not preempt state law.

- **Provide for limited liability for holders of a mortgage made in violation of law, whether it is the original lender or a subsequent investment trust.** Unlike current law, which puts the burden on the borrower to find the party responsible for causing the harm, the legislation allows the borrower to go directly to the current mortgage holder for a cure.

Since becoming Chairman of the Senate Banking Committee, Dodd has made American homeownership a top priority, convening two hearings to examine the problems in the subprime mortgage market and successfully persuading the Federal Reserve to meet its obligations under the Homeownership and Equity Protection Act (HOEPA) to protect borrowers from unfair, deceptive, and misleading actions by mortgage industry participants against homebuyers. Earlier this year, Chairman Dodd brought together lenders, servicers, and representatives from Fannie Mae and Freddie Mac at the Homeownership Preservation Summit, where the leaders in the industry committed to make their best efforts to help homeowners stay in their homes. Dodd has successfully won Senate approval for at least \$200 million in federal funding to help homeowners who can qualify to refinance to affordable mortgages, and has also advocated that the Administration raise the portfolio caps for Freddie Mac and Fannie Mae in a manner that is safe, sound, and targeted to consumer-friendly mortgages. Recently Senator Dodd achieved Banking Committee passage of legislation to modernize the Federal Housing Administration (FHA), which will help hundreds of thousands of homebuyers obtain safe affordable mortgages, and last week, he sent a letter to Fed Chairman Ben Bernanke urging the Fed to write the strongest regulatory protections possible as they undertake rulemaking authority under HOEPA.

A summary of the bill and a list of key supporters are attached.